

The SLD is also sending this information to your service provider(s) for informational purposes. If USAC has determined the service provider is also responsible for any rule violation on these Funding Request Numbers, a separate letter will be sent to the service provider detailing the necessary service provider action.

Please note that if the Funds Disbursed to Date amount is less than the Adjusted Funding Commitment amount, USAC will continue to process properly filed invoices up to the Adjusted Funding Commitment amount. Please note the Funding Commitment Adjustment Explanation in the attached Report. It explains why the funding commitment is being reduced. Please ensure that any invoices that you or your service provider submit to USAC are consistent with program rules as indicated in the Funding Commitment Adjustment Explanation. If the Funds Disbursed to Date amount exceeds your Adjusted Funding Commitment amount, USAC will have to recover some or all of the disbursed funds. The Report explains the exact amount (if any) the applicant is responsible for repaying.

Schools and Libraries Division
Universal Services Administrative Company

cc: Sydney Olderbak
Shared Communications Services, Inc.

A GUIDE TO THE FUNDING COMMITMENT ADJUSTMENT REPORT

A report for each E-rate funding request from your application for which a commitment adjustment is required is attached to this letter. We are providing the following definitions for the items in that report.

FUNDING REQUEST NUMBER (FRN): A Funding Request Number is assigned by the SLD to each individual request in your Form 471 once an application has been processed. This number is used to report to applicants and service providers the status of individual discount funding requests submitted on a Form 471.

SERVICES ORDERED: The type of service ordered from the service provider, as shown on Form 471.

SPIN (Service Provider Identification Number): A unique number assigned by the Universal Service Administrative Company to service providers seeking payment from the Universal Service Fund for participating in the universal service support mechanisms. A SPIN is also used to verify delivery of services and to arrange for payment.

SERVICE PROVIDER NAME: The legal name of the service provider.

CONTRACT NUMBER: The number of the contract between the applicant and the service provider. This will be present only if a contract number was provided on your Form 471.

BILLING ACCOUNT NUMBER: The account number that your service provider has established with you for billing purposes. This will be present only if a Billing Account Number was provided on your Form 471.

SITE IDENTIFIER: The Entity Number listed in Form 471, Block 5, Item 22a. This number will only be present for "site specific" FRNs.

ORIGINAL FUNDING COMMITMENT: This represents the original amount of funding that SLD had reserved to reimburse you for the approved discounts for this service for this funding year.

COMMITMENT ADJUSTMENT AMOUNT: This represents the amount of funding that SLD has rescinded because of program rule violations.

ADJUSTED FUNDING COMMITMENT: This represents the adjusted total amount of funding that SLD has reserved to reimburse for the approved discounts for this service for this funding year. If this amount exceeds the Funds Disbursed to Date, the SLD will continue to process properly filed invoices up to the new commitment amount.

FUNDS DISBURSED TO DATE: This represents the total funds that have been paid to the identified service provider for this FRN as of the date of this letter.

FUNDS TO BE RECOVERED FROM APPLICANT: This represents the amount of improperly disbursed funds to date as a result of rule violation(s) for which the applicant has been determined to be responsible. These improperly disbursed funds will have to be recovered from the applicant.

FUNDING COMMITMENT ADJUSTMENT EXPLANATION: This entry provides an explanation of the reason the adjustment was made.

**Funding Commitment Adjustment Report for
Form 471 Application Number: 247557**

Funding Request Number:	629069
Services Ordered:	TELCOMM SERVICES
SPIN:	143001177
Service Provider Name:	Shared Communications Services, Inc.
Contract Number:	MTM
Billing Account Number:	541-989-8202
Site Identifier:	145127
Original Funding Commitment:	\$15,744.00
Commitment Adjustment Amount:	\$15,744.00
Adjusted Funding Commitment:	\$0.00
Funds Disbursed to Date:	\$3,427.18
Funds to be Recovered from Applicant:	\$3,427.18

Funding Commitment Adjustment Explanation:

After a thorough investigation, it has been determined that this funding commitment must be rescinded in full. During the course of review it was determined that service provider contact information appeared on the cited Form 470. The contact person on the cited Form 470 Application Number, 832810000329624, was Nate Arbogast. Nate Arbogast is also listed as the contact person for Arbogast Business Services and Computers and Arbogast Business Services and Computers was a service provider that participated in the competitive bidding process. FCC rules require applicants to submit a Form 470 to initiate the competitive bidding process, and to conduct a fair and open process. If the applicant has posted a Form 470 that contains contact information for a service provider that participates in the competitive bidding process, the applicant has violated this requirement, and FCC rules consider this Form 470 to be tainted. All Funding Requests that relate to this Form 470 are required to be denied because the Form 470 is tainted. Accordingly, the commitment has been rescinded in full and USAC will seek recovery of any disbursed funds.

**PLEASE SEND A COPY OF THIS PAGE WITH YOUR
CHECK TO ENSURE TIMELY PROCESSING**

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Edie Allstott
MORROW COUNTY SCHOOL DIST 1
2001 S.W. Nye Ave.
Pendleton, OR 97801

EXHIBIT 2

**Letters of Appeal
From MCSD to USAC
April 25, 2007**

Morrow County School District

MARK BURROWS
Superintendent/Clerk

P. O. Box 368
Lexington, OR 97839
Phone 541-989-8202
Fax 541-989-8470

WADE SMITH
Assistant Superintendent

JULIE ASHBECK
Administrative/Board Secretary
Personnel Director

RHONDA LORENZ
Business Manager
Deputy Clerk

April 25, 2007

Letter of Appeal
Schools and Libraries Division – Correspondence Unit
100 S. Jefferson Rd.
P.O. Box 902
Whippany, NJ 07981

RE: Receipt of "Notification of Commitment Adjustment Letter"

Form 471 Application Number:	247557
Funding Year:	2001
Applicant's Form Identifier:	MCSD0102TEL
Billed Entity Number:	145127
FCC Registration Number:	0012534509
SPIN Name:	CenturyTel of Eastern Oregon, Inc.
Service Provider Contact Person:	Cecil Lipscomb

E-Rate Contact person: Edie Allstott
Umatilla-Morrow ESD
2001 SW Nye Ave.
Pendleton, OR 97801
(541) 966-3181 – phone
(541) 966-3231 – fax
Edie.Allstott@umesd.k12.or.us

We have received the Notification of Commitment Adjustment Letter dated March 8, 2007. This letter is to Appeal the Commitment Adjustment letter for the following noted FRN: 628701, 628804. Your adjustment letter cites the following decision: After a thorough investigation, it has been determined that this funding commitment must be rescinded in full. During the course of review it was determined that service provider contact information appeared on the cited Form 470. The contact person on the cited form 470 Application Number, 832810000329624, was Nate Arbogast. Nate Arbogast is also listed as the contact person for Arbogast Business Services and Computers and Arbogast Business Services and Computers was a service provider that participated in the competitive bidding process.

FCC rules require applicants to submit a Form 470 to initiate the competitive bidding process, and to conduct a fair and open process. If the applicant has posted a Form 470 that contains contact information for a service provider that participates in the competitive bidding process, the applicant has violated this requirement, and FCC rules consider this Form 470 to be tainted. All Funding Requests that relate to this Form 470 are required to be denied because the Form 470 is tainted. Accordingly, the commitment has been rescinded in full and USAC will seek recovery of any disbursed funds.

RESPONSE:

The FCC rule violation as described suggests the required fair and open processes were compromised due to vendor participation in the competitive bidding process. At no time did Arbogast Business Services and Computers nor any service provider(s) prepare, participate or influence the 470 and/or fair competitive bidding processes for Morrow County School District. Now it is true that Nate Arbogast certified the Form 470, but he did so as an employee of Morrow County School District (and not in any capacity as an owner of Arbogast Business Services). He was actually a regular employee of the district at that time. Morrow County School District would further contend that it did not violate program rules under Section 254 of the Communications Act of 1934, specifically compliance requirements contained in 47 C.F.R. 54.504.

Mr. Nate Arbogast, now a former employee of Morrow County School District in the position of Technology Coordinator, was designated the responsibility of processing E-Rate application materials and as such named the contact person. However the sole authority for vendor selection and/or contract award decisions is the Morrow County Superintendent and Board of Directors. Mr. Nate Arbogast had absolutely no role in that process.

As we understand it, Arbogast Business Services and Computers was a registered vendor under the E-Rate program. Mr. Arbogast was apparently listed as the primary contact, therefore also as an SLD approved vendor he would fully comply with program rules. Vendor certification under the 473 filing process provides further assurance "that no attempt will be made by this service provider to induce any concern to submit or not to submit an offer for the purpose of restricting competition." We know of no violation of that rule, but if there were, it would not have been a violation by Mr. Arbogast within the scope and course of his duties for the Morrow County School District. Furthermore, once service providers register with the program they must also certify annually on the Form 473 (SPAC) that they will comply with program rules. Arbogast Business Services and Computers registered as a vendor in 1998, with SPAC filings in 1999, and 2000. However, certification was not submitted for the 2001-2002 funding year, therefore Arbogast Business Services and Computers was not even an eligible service provider for the funding requests in question. USAC could not have paid invoices; Form 474 (Service Provider Invoice Form) or BEAR/Form 472 (Billed Entity Applicant Reimbursement Form) unless USAC has a Form 473 on file for Arbogast Business Services and Computers for the 2001-2002 funding year.

Letter of Appeal

471: 247557, FRN: 628701, 628804

4/25/2007

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This is a unique circumstance where a previous school district employee also had business interests in a field related to his expertise. Public employee law requires disclosure of potential conflicts of interest. School board policy clearly prohibited Mr. Arbogast from participating in any way in the competitive bidding process that would irreparably impair our ability to conduct fair and open processes as required by E-Rate. This eliminated any opportunity to influence decisions, or to leverage his position to represent his own personal business interests. Morrow County is confident that in addition to compliance with all applicable State procurement and contracting laws, all appropriate measures were exhausted to ensure open, fair and competitive processes based on E-Rate guidelines. Mr. Arbogast received no special treatment nor was he in any way favored in the procurement process.

Moreover, per SLD data retrieval tools Arbogast Business Services and Computers was not disbursed any funds in the 2001-2002 year. The funding commitments awarded by Schools and Libraries for telecom services provided by CenturyTel of Eastern Oregon Inc., have no association nor competing factors with Arbogast Business Services and Computers with the exception of the procedural relationship of the sharing of the same establishing Form 470. The services were eligible, approved, and exercised in full compliance and good faith within E-rate program rules. E-Rate directives to applicants instruct them not to separate funding requests on individual 470/471 forms as to avoid an incredible paperwork processing burden. Applicants are further instructed to "ONLY" file separate 470/471 forms in the case of requesting internal connections. Yet in this case it would have protected those awards not related to the violation in question.

A significant amount of time has lapsed and the people involved are no longer with our district. The discount reimbursements that we received from vendors were for services. The implications of potential fund recovery are financially impossible and would have devastating results. The District simply has no funds with which to repay if we are to assume that it is to continue to educate its students. For the public good we urge you to consider our position and preserve the integrity of these funding commitments as originally granted.

In summary, we maintain:

- No violations to the fair and competitive bidding process occurred.
- All potential service providers received equal opportunity.
- Misuse of funds was not possible as no gain was had by ABS.
- We do not have the financial means to satisfy this commitment adjustment.

Sincerely,



Mark Burrows, Superintendent
Morrow County School District

Morrow County School District

MARK BURROWS
Superintendent/Clerk

P. O. Box 368
Lexington, OR 97839
Phone 541-989-8202
Fax 541-989-8470

WADE SMITH
Assistant Superintendent

ULIE ASHBECK
Administrative/Board Secretary
Personnel Director

RHONDA LORENZ
Business Manager
Deputy Clerk

April 25, 2007

Letter of Appeal
Schools and Libraries Division – Correspondence Unit
100 S. Jefferson Rd.
P.O. Box 902
Whippany, NJ 07981

RE: Receipt of "Notification of Commitment Adjustment Letter"

Form 471 Application Number:	247557
Funding Year:	2001
Applicant's Form Identifier:	MCSD0102TEL
Billed Entity Number:	145127
FCC Registration Number:	0012534509
SPIN Name:	Qwest Corporation
Service Provider Contact Person:	Gilbert Archuleta

E-Rate Contact person:	Edie Allstott Umatilla-Morrow ESD 2001 SW Nye Ave. Pendleton, OR 97801 (541) 966-3181 – phone (541) 966-3231 – fax Edie.Allstott@umesd.k12.or.us
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We have received the Notification of Commitment Adjustment Letter dated March 8, 2007. This letter is to Appeal the Commitment Adjustment letter for the following noted FRN's: 627104, 628321. Your adjustment letter cites the following decision: After a thorough investigation, it has been determined that this funding commitment must be rescinded in full. During the course of review it was determined that service provider contact information appeared on the cited Form 470. The contact person on the cited form 470 Application Number, 832810000329624, was Nate Arbogast. Nate Arbogast is also listed as the contact person for Arbogast Business Services and Computers and Arbogast Business Services and Computers was a service provider that participated in the competitive bidding process.

FCC rules require applicants to submit a Form 470 to initiate the competitive bidding process, and to conduct a fair and open process. If the applicant has posted a Form 470 that contains contact information for a service provider that participates in the competitive bidding process, the applicant has violated this requirement, and FCC rules consider this Form 470 to be tainted. All Funding Requests that relate to this Form 470 are required to be denied because the Form 470 is tainted. Accordingly, the commitment has been rescinded in full and USAC will seek recovery of any disbursed funds.

RESPONSE:

The FCC rule violation as described suggests the required fair and open processes were compromised due to vendor participation in the competitive bidding process. At no time did Arbogast Business Services and Computers nor any service provider(s) prepare, participate or influence the 470 and/or fair competitive bidding processes for Morrow County School District. Now it is true that Nate Arbogast certified the Form 470, but he did so as an employee of Morrow County School District (and not in any capacity as an owner of Arbogast Business Services). He was actually a regular employee of the district at that time. Morrow County School District would further contend that it did not violate program rules under Section 254 of the Communications Act of 1934, specifically compliance requirements contained in 47 C.F.R. 54.504.

Mr. Nate Arbogast, now a former employee of Morrow County School District in the position of Technology Coordinator, was designated the responsibility of processing E-Rate application materials and as such named the contact person. However the sole authority for vendor selection and/or contract award decisions is the Morrow County Superintendent and Board of Directors. Mr. Arbogast had absolutely no role in that process.

As we understand it, Arbogast Business Services and Computers was a registered vendor under the E-Rate program. Mr. Arbogast was apparently listed as the primary contact, therefore also as an SLD approved vendor he would fully comply with program rules. Vendor certification under the 473 filing process provides further assurance "that no attempt will be made by this service provider to induce any concern to submit or not to submit an offer for the purpose of restricting competition." We know of no violation of that rule, but if there were, it would not have been a violation by Mr. Arbogast within the scope and course of his duties for the Morrow County School District. Furthermore, once service providers register with the program they must also certify annually on the Form 473 (SPAC) that they will comply with program rules. Arbogast Business Services and Computers registered as a vendor in 1998, with SPAC filings in 1999, and 2000. However, certification was not submitted for the 2001-2002 funding year, therefore Arbogast Business Services and Computers was not even an eligible service provider for the funding requests in question. USAC could not have paid invoices; Form 474 (Service Provider Invoice Form) or BEAR/Form 472 (Billed Entity Applicant Reimbursement Form) unless USAC has a Form 473 on file for Arbogast Business Services and Computers for the 2001-2002 funding year.

This is a unique circumstance where a previous school district employee also had business interests in a field related to his expertise. Public employee law requires disclosure of potential conflicts of interest. School board policy clearly prohibited Mr. Arbogast from participating in any way in the competitive bidding process that would irreparably impair our ability to conduct fair and open processes as required by E-Rate. This eliminated any opportunity to influence decisions, or to leverage his position to represent his own personal business interests. Morrow County is confident that in addition to compliance with all applicable State procurement and contracting laws, all appropriate measures were exhausted to ensure open, fair and competitive processes based on E-Rate guidelines. Mr. Arbogast received no special treatment nor was he in any way favored in the procurement process.

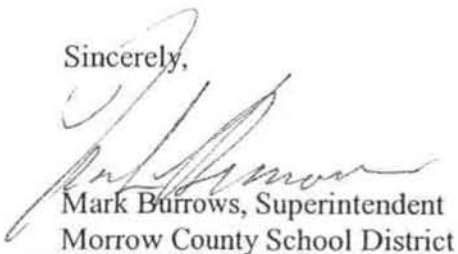
Moreover, per SLD data retrieval tools Arbogast Business Services and Computers was not disbursed any funds in the 2001-2002 year. The funding commitments awarded by Schools and Libraries for telecom services provided by Qwest Corporation, have no association nor competing factors with Arbogast Business Services and Computers with the exception of the procedural relationship of the sharing of the same establishing Form 470. The services were eligible, approved, and exercised in full compliance and good faith within E-rate program rules. E-Rate directives to applicants instruct them not to separate funding requests on individual 470/471 forms as to avoid an incredible paperwork processing burden. Applicants are further instructed to "ONLY" file separate 470/471 forms in the case of requesting internal connections. Yet in this case it would have protected those awards not related to the violation in question.

A significant amount of time has lapsed and the people involved are no longer with our district. The discount reimbursements that we received from vendors were for services. The implications of potential fund recovery are financially impossible and would have devastating results. The District simply has no funds with which to repay if we are to assume that it is to continue to educate its students. For the public good we urge you to consider our position and preserve the integrity of these funding commitments as originally granted.

In summary, we maintain:

- No violations to the fair and competitive bidding process occurred.
- All potential service providers received equal opportunity.
- Misuse of funds was not possible as no gain was had by ABS.
- We do not have the financial means to satisfy this commitment adjustment.

Sincerely,



Mark Burrows, Superintendent
Morrow County School District

Morrow County School District

MARK BURROWS
Superintendent/Clerk

P. O. Box 368
Lexington, OR 97839
Phone 541-989-8202
Fax 541-989-8470

WADE SMITH
Assistant Superintendent

JULIE ASHBECK
Administrative/Board Secretary
Personnel Director

RHONDA LORENZ
Business Manager
Deputy Clerk

April 25, 2007

Letter of Appeal
Schools and Libraries Division – Correspondence Unit
100 S. Jefferson Rd.
P.O. Box 902
Whippany, NJ 07981

RE: Receipt of "Notification of Commitment Adjustment Letter"

Form 471 Application Number:	247557
Funding Year:	2001
Applicant's Form Identifier:	MCSD0102TEL
Billed Entity Number:	145127
FCC Registration Number:	0012534509
SPIN Name:	Shared Communications Services, Inc.
Service Provider Contact Person:	Sydney Olderbak

E-Rate Contact person: Edie Allstott
Umatilla-Morrow ESD
2001 SW Nye Ave.
Pendleton, OR 97801
(541) 966-3181 – phone
(541) 966-3231 – fax
Edie.Allstott@umesd.k12.or.us

We have received the Notification of Commitment Adjustment Letter dated March 8, 2007. This letter is to Appeal the Commitment Adjustment letter for the following noted FRN: 629069. Your adjustment letter cites the following decision: After a thorough investigation, it has been determined that this funding commitment must be rescinded in full. During the course of review it was determined that service provider contact information appeared on the cited Form 470. The contact person on the cited form 470 Application Number, 832810000329624, was Nate Arbogast. Nate Arbogast is also listed as the contact person for Arbogast Business Services and Computers and Arbogast Business Services and Computers was a service provider that participated in the competitive bidding process.

FCC rules require applicants to submit a Form 470 to initiate the competitive bidding process, and to conduct a fair and open process. If the applicant has posted a Form 470 that contains contact information for a service provider that participates in the competitive bidding process, the applicant has violated this requirement, and FCC rules consider this Form 470 to be tainted. All Funding Requests that relate to this Form 470 are required to be denied because the Form 470 is tainted. Accordingly, the commitment has been rescinded in full and USAC will seek recovery of any disbursed funds.

RESPONSE:

The FCC rule violation as described suggests the required fair and open processes were compromised due to vendor participation in the competitive bidding process. At no time did Arbogast Business Services and Computers nor any service provider(s) prepare, participate or influence the 470 and/or fair competitive bidding processes for Morrow County School District. Now it is true that Nate Arbogast certified the Form 470, but he did so as an employee of Morrow County School District (and not in any capacity as an owner of Arbogast Business Services). He was actually a regular employee of the district at that time. Morrow County School District would further contend that it did not violate program rules under Section 254 of the Communications Act of 1934, specifically compliance requirements contained in 47 C.F.R. 54.504.

Mr. Nate Arbogast, now a former employee of Morrow County School District in the position of Technology Coordinator, was designated the responsibility of processing E-Rate application materials and as such named the contact person. However the sole authority for vendor selection and/or contract award decisions is the Morrow County Superintendent and Board of Directors. Mr. Arbogast had absolutely no role in that process.

As we understand it, Arbogast Business Services and Computers was a registered vendor under the E-Rate program. Mr. Arbogast was apparently listed as the primary contact, therefore also as an SLD approved vendor he would fully comply with program rules. Vendor certification under the 473 filing process provides further assurance "that no attempt will be made by this service provider to induce any concern to submit or not to submit an offer for the purpose of restricting competition." We know of no violation of that rule, but if there were, it would not have been a violation by Mr. Arbogast within the scope and course of his duties for the Morrow County School District. Furthermore, once service providers register with the program they must also certify annually on the Form 473 (SPAC) that they will comply with program rules. Arbogast Business Services and Computers registered as a vendor in 1998, with SPAC filings in 1999, and 2000. However, certification was not submitted for the 2001-2002 funding year, therefore Arbogast Business Services and Computers was not even an eligible service provider for the funding requests in question. USAC could not have paid invoices; Form 474 (Service Provider Invoice Form) or BEAR/Form 472 (Billed Entity Applicant Reimbursement Form) unless USAC has a Form 473 on file for Arbogast Business Services and Computers for the 2001-2002 funding year.

Letter of Appeal

471: 247557, FRN: 629069

4/25/2007

Page 3

This is a unique circumstance where a previous school district employee also had business interests in a field related to his expertise. Public employee law requires disclosure of potential conflicts of interest. School board policy clearly prohibited Mr. Arbogast from participating in any way in the competitive bidding process that would irreparably impair our ability to conduct fair and open processes as required by E-Rate. This eliminated any opportunity to influence decisions, or to leverage his position to represent his own personal business interests. Morrow County is confident that in addition to compliance with all applicable State procurement and contracting laws, all appropriate measures were exhausted to ensure open, fair and competitive processes based on E-Rate guidelines. Mr. Arbogast received no special treatment nor was he in any way favored in the procurement process.

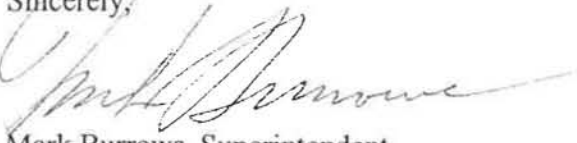
Moreover, per SLD data retrieval tools Arbogast Business Services and Computers was not disbursed any funds in the 2001-2002 year. The funding commitments awarded by Schools and Libraries for long distance services provided by Shared Communications Services Inc., have no association nor competing factors with Arbogast Business Services and Computers with the exception of the procedural relationship of the sharing of the same establishing Form 470. The services were eligible, approved, and exercised in full compliance and good faith within E-rate program rules. E-Rate directives to applicants instruct them not to separate funding requests on individual 470/471 forms as to avoid an incredible paperwork processing burden. Applicants are further instructed to "ONLY" file separate 470/471 forms in the case of requesting internal connections. Yet in this case it would have protected those awards not related to the violation in question.

A significant amount of time has lapsed and the people involved are no longer with our district. In this particular instance the reimbursement method was SPI (Service Provider Invoice) with direct payment from SLD to the vendor. Morrow County simply paid the service provider for the undiscounted portion of these services. The implications of potential fund recovery are financially impossible and would have devastating results. The District simply has no funds with which to repay if we are to assume that it is to continue to educate its students. For the public good we urge you to consider our position and preserve the integrity of these funding commitments as originally granted.

In summary, we maintain:

- No violations to the fair and competitive bidding process occurred.
- All potential service providers received equal opportunity.
- Misuse of funds was not possible as no gain was had by ABS.
- Morrow County received no actual "monies" from SLD.
- We do not have the financial means to satisfy this commitment adjustment.

Sincerely,



Mark Burrows, Superintendent
Morrow County School District

Morrow County School District

MARK BURROWS
Superintendent/Clerk

P. O. Box 368
Lexington, OR 97839
Phone 541-989-8202
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April 25, 2007

Letter of Appeal
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100 S. Jefferson Rd.
P.O. Box 902
Whippany, NJ 07981

RE: Receipt of "Notification of Commitment Adjustment Letter"

Form 471 Application Number:	247557
Funding Year:	2001
Applicant's Form Identifier:	MCSD0102TEL
Billed Entity Number:	145127
FCC Registration Number:	0012534509
SPIN Name:	Cingular Wireless
Service Provider Contact Person:	Shandl Hodge

E-Rate Contact person: Edie Allstott
Umatilla-Morrow ESD
2001 SW Nye Ave.
Pendleton, OR 97801
(541) 966-3181 – phone
(541) 966-3231 – fax
Edie.Allstott@umesd.k12.or.us

We have received the Notification of Commitment Adjustment Letter dated March 8, 2007. This letter is to Appeal the Commitment Adjustment letter for the following noted FRN: 628103. Your adjustment letter cites the following decision: After a thorough investigation, it has been determined that this funding commitment must be rescinded in full. During the course of review it was determined that service provider contact information appeared on the cited Form 470. The contact person on the cited form 470 Application Number, 832810000329624, was Nate Arbogast. Nate Arbogast is also listed as the contact person for Arbogast Business Services and Computers and Arbogast Business Services and Computers was a service provider that participated in the competitive bidding process.

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This is a unique circumstance where a previous school district employee also had business interests in a field related to his expertise. Public employee law requires disclosure of potential conflicts of interest. School board policy clearly prohibited Mr. Arbogast from participating in any way in the competitive bidding process that would irreparably impair our ability to conduct fair and open processes as required by E-Rate. This eliminated any opportunity to influence decisions, or to leverage his position to represent his own personal business interests. Morrow County is confident that in addition to compliance with all applicable State procurement and contracting laws, all appropriate measures were exhausted to ensure open, fair and competitive processes based on E-Rate guidelines. Mr. Arbogast received no special treatment nor was he in any way favored in the procurement process.

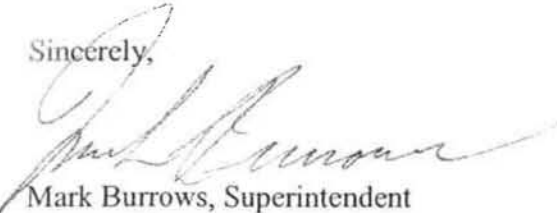
Moreover, per SLD data retrieval tools Arbogast Business Services and Computers was not disbursed any funds in the 2001-2002 year. The funding commitments awarded by Schools and Libraries for telecom services provided by Cingular Wireless, have no association nor competing factors with Arbogast Business Services and Computers with the exception of the procedural relationship of the sharing of the same establishing Form 470. The services were eligible, approved, and exercised in full compliance and good faith within E-rate program rules. E-Rate directives to applicants instruct them not to separate funding requests on individual 470/471 forms as to avoid an incredible paperwork processing burden. Applicants are further instructed to "ONLY" file separate 470/471 forms in the case of requesting internal connections. Yet in this case it would have protected those awards not related to the violation in question.

A significant amount of time has lapsed and the people involved are no longer with our district. The discount reimbursements that we received from vendors were for services. The implications of potential fund recovery are financially impossible and would have devastating results. The District simply has no funds with which to repay if we are to assume that it is to continue to educate its students. For the public good we urge you to consider our position and preserve the integrity of these funding commitments as originally granted.

In summary, we maintain:

- No violations to the fair and competitive bidding process occurred.
- All potential service providers received equal opportunity.
- Misuse of funds was not possible as no gain was had by ABS.
- We do not have the financial means to satisfy this commitment adjustment.

Sincerely,



Mark Burrows, Superintendent
Morrow County School District

Morrow County School District

MARK BURROWS
Superintendent/Clerk

P. O. Box 368
Lexington, OR 97839
Phone 541-989-8202
Fax 541-989-8470

WADE SMITH
Assistant Superintendent

JLIE ASHBECK
Administrative/Board Secretary
Personnel Director

RHONDA LORENZ
Business Manager
Deputy Clerk

April 25, 2007

Letter of Appeal
Schools and Libraries Division – Correspondence Unit
100 S. Jefferson Rd.
P.O. Box 902
Whippany, NJ 07981

RE: Receipt of "Notification of Commitment Adjustment Letter"

Form 471 Application Number:	254806
Funding Year:	2001
Applicant's Form Identifier:	MCSD0102ISP
Billed Entity Number:	145127
FCC Registration Number:	0012534509
SPIN Name:	Morrow Development Corp
Service Provider Contact Person:	Eileen Hendricks

E-Rate Contact person: Edie Allstott
Umatilla-Morrow ESD
2001 SW Nye Ave.
Pendleton, OR 97801
(541) 966-3181 – phone
(541) 966-3231 – fax
Edie.Allstott@umesd.k12.or.us

We have received the Notification of Commitment Adjustment Letter dated March 8, 2007. This letter is to Appeal the Commitment Adjustment letter for the following noted FRN's: 633073, 633208. Your adjustment letter cites the following decision: After a thorough investigation, it has been determined that this funding commitment must be rescinded in full. During the course of review it was determined that service provider contact information appeared on the cited Form 470. The contact person on the cited form 470 Application Number, 832810000329624, was Nate Arbogast. Nate Arbogast is also listed as the contact person for Arbogast Business Services and Computers and Arbogast Business Services and Computers was a service provider that participated in the competitive bidding process.

FCC rules require applicants to submit a Form 470 to initiate the competitive bidding process, and to conduct a fair and open process. If the applicant has posted a Form 470 that contains contact information for a service provider that participates in the competitive bidding process, the applicant has violated this requirement, and FCC rules consider this Form 470 to be tainted. All Funding Requests that relate to this Form 470 are required to be denied because the Form 470 is tainted. Accordingly, the commitment has been rescinded in full and USAC will seek recovery of any disbursed funds.

RESPONSE:

The FCC rule violation as described suggests the required fair and open processes were compromised due to vendor participation in the competitive bidding process. At no time did Arbogast Business Services and Computers nor any service provider(s) prepare, participate or influence the 470 and/or fair competitive bidding processes for Morrow County School District. Now it is true that Nate Arbogast certified the Form 470, but he did so as an employee of Morrow County School District (and not in any capacity as an owner of Arbogast Business Services). He was actually a regular employee of the district at that time. Morrow County School District would further contend that it did not violate program rules under Section 254 of the Communications Act of 1934, specifically compliance requirements contained in 47 C.F.R. 54.504.

Mr. Nate Arbogast, now a former employee of Morrow County School District in the position of Technology Coordinator, was designated the responsibility of processing E-Rate application materials and as such named the contact person. However the sole authority for vendor selection and/or contract award decisions is the Morrow County Superintendent and Board of Directors. Mr. Arbogast had absolutely no role in that process.

As we understand it, Arbogast Business Services and Computers was a registered vendor under the E-Rate program. Mr. Arbogast was apparently listed as the primary contact, therefore also as an SLD approved vendor he would fully comply with program rules. Vendor certification under the 473 filing process provides further assurance "that no attempt will be made by this service provider to induce any concern to submit or not to submit an offer for the purpose of restricting competition." We know of no violation of that rule, but if there were, it would not have been a violation by Mr. Arbogast within the scope and course of his duties for the Morrow County School District. Furthermore, once service providers register with the program they must also certify annually on the Form 473 (SPAC) that they will comply with program rules. Arbogast Business Services and Computers registered as a vendor in 1998, with SPAC filings in 1999, and 2000. However, certification was not submitted for the 2001-2002 funding year, therefore Arbogast Business Services and Computers was not even an eligible service provider for the funding requests in question. USAC could not have paid invoices; Form 474 (Service Provider Invoice Form) or BEAR/Form 472 (Billed Entity Applicant Reimbursement Form) unless USAC has a Form 473 on file for Arbogast Business Services and Computers for the 2001-2002 funding year.

Letter of Appeal

471: 254806, FRN: 633073, 633208

4/25/2007

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This is a unique circumstance where a previous school district employee also had business interests in a field related to his expertise. Public employee law requires disclosure of potential conflicts of interest. School board policy clearly prohibited Mr. Arbogast from participating in any way in the competitive bidding process that would irreparably impair our ability to conduct fair and open processes as required by E-Rate. This eliminated any opportunity to influence decisions, or to leverage his position to represent his own personal business interests. Morrow County is confident that in addition to compliance with all applicable State procurement and contracting laws, all appropriate measures were exhausted to ensure open, fair and competitive processes based on E-Rate guidelines. Mr. Arbogast received no special treatment nor was he in any way favored in the procurement process.


Moreover, per SLD data retrieval tools Arbogast Business Services and Computers was not disbursed any funds in the 2001-2002 year. The funding commitments awarded by Schools and Libraries for telecom services provided by Morrow Development Corp., have no association nor competing factors with Arbogast Business Services and Computers with the exception of the procedural relationship of the sharing of the same establishing Form 470. The services were eligible, approved, and exercised in full compliance and good faith within E-rate program rules. E-Rate directives to applicants instruct them not to separate funding requests on individual 470/471 forms as to avoid an incredible paperwork processing burden. Applicants are further instructed to "ONLY" file separate 470/471 forms in the case of requesting internal connections. Yet in this case it would have protected those awards not related to the violation in question.

A significant amount of time has lapsed and the people involved are no longer with our district. In this particular instance the reimbursement method was SPI (Service Provider Invoice) with direct payment from SLD to the vendor. Morrow County simply paid the service provider for the undiscounted portion of these services. The implications of potential fund recovery are financially impossible and would have devastating results. The District simply has no funds with which to repay if we are to assume that it is to continue to educate its students. For the public good we urge you to consider our position and preserve the integrity of these funding commitments as originally granted.

In summary, we maintain:

- No violations to the fair and competitive bidding process occurred.
- All potential service providers received equal opportunity.
- Misuse of funds was not possible as no gain was had by ABS.
- Morrow County received no actual "monies" from SLD.
- We do not have the financial means to satisfy this commitment adjustment.

Sincerely,



Mark Burrows, Superintendent
Morrow County School District

EXHIBIT 3

**Administrator's Decision on Appeal
Re: Application No. 254806
June 28, 2007**



Universal Service Administrative Company
Schools & Libraries Division

Administrator's Decision on Appeal - Funding Year 2001-2002

June 28, 2007

Mark Burrows
Morrow County School District
P. O. Box 368
Lexington, OR 97839

Re:	Applicant Name:	Morrow County School Dist 1
	Billed Entity Number:	145127
	471 Application Number:	254806
	Funding Request Number(s):	633073 and 633208
	Your Correspondence Dated:	April 25, 2007

After thorough review and investigation of all relevant facts, the Schools and Libraries Division (SLD) of the Universal Service Administrative Company (USAC) has made its decision in regard to your appeal of USAC's Funding Year 2001 Commitment Adjustment Letter for the Application Number indicated above. This letter explains the basis of USAC's decision. The date of this letter begins the 60 day time period for appealing this decision to the Federal Communications Commission (FCC). If your Letter of Appeal included more than one Application Number, please note that you will receive a separate letter for each application.

Funding Request Number: 633073 and 633208
Decision on Appeal: **Denied**
Explanation:

- In its Funding Year 2001 FCC Form 471, the applicant made 2 funding requests supported by Form 470 application number 832810000329624. One of the requests sought discounts on services to be provided by Arbogast Business Services and Computers. In Item 6 of the Form 470, Morrow County School District listed Nate Arbogast as a contact person. Mr. Arbogast is an employee of Arbogast Business Services and Computers. In Mastermind Internet Services, Inc., the Commission held that an applicant violates the Commission's competitive bidding requirements when it surrenders control of the bidding process to a service provider that participates in that bidding process. Such

surrender occurs when an applicant names a representative of a participating service provider as contact person on the Form 470. Thus, the Commission concluded that "a violation of the Commission's competitive bidding requirements has occurred where a service provider that is listed as the contact person on the Form 470 also participates in the competitive bidding process as a bidder." In such a case, the Form 470 is invalid and any funding request based on that Form 470 must be denied. Additionally, USAC guidelines, (<http://www.sl.universalservice.org/vendor/manual/chapter5.doc>), state that "the presence of a representative or employee of a Service Provider as the contact on the Form 470, or any contact information associated with a service provider on the Form 470, renders that Form 470 invalid." On October 11, 2001, the applicant requested a SPIN change for the request that sought discounts on services to be provided by Arbogast Business Services and Computers, which was granted on January 29, 2002. However, any funding request that is in violation of the program rules affects other funding requests or an entire application (as in this case) and may not have its SPIN changed to avoid the program violation. Because all of the funding requests in this Morrow County School District Form 471 relied on this invalid Form 470, USAC correctly rescinded funding for the entire application.

- USAC has determined that a service provider who participated in the competitive bidding process as a bidder was listed as a contact person on your FCC Form 470; therefore, assisting in the selection of your vendors for the services sought. The service provider's involvement with the preparation and submission of the Form 470 violates the competitive bidding requirements for the FRN(s) listed above. Since you violated the FCC competitive bidding rules, USAC rescinded your funding request and sought recovery of any funds disbursed. In your appeal, you have not shown that USAC's determination was incorrect. Consequently, USAC denies your appeal.
- FCC rules require that, except under limited circumstances, an eligible school, library or consortium that includes an eligible school or library shall seek competitive bids for all services eligible for support. See 47 C.F.R. sec. 54.504(a). An applicant violates the FCC's competitive bidding requirements when it surrenders control of the bidding process to a service provider who participated in the competitive bidding process as a bidder. See Request for Review by Mastermind Internet Services, Inc, Federal-State Joint Board on Universal Service, Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket Nos. 96-45, Order, 16 FCC Rcd 4028, FCC 00-167, para. 9-10 (rel. May 23, 2000). Pursuant to FCC guidance, this principle applies to any service provider contact information on an FCC Form 470 including address, telephone, fax numbers, and e-mail address. See Request for Review of the Decision of the Universal Service Administrator by Consorcio de Escuelas y Bibliotecas de Puerto Rico, Federal-State Joint Board on Universal Service,